



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 23, 2022

Daniel Homes, Chairperson
Village of Valparaiso
P.O. Box 147
Valparaiso, NE

Dear Chairperson Homes:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Valparaiso (Village) for the fiscal year ending 2021. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2021), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, the APA noted certain internal control or compliance matters, or other operational issues, within the Village.

The following information is intended to improve internal controls or result in other operational efficiencies.

Comments and Recommendations

1. Lack of Dual Signatures

The APA obtained the bank statements for the Village's accounts from its fiscal year 2021 audit waiver request. From these statements, the APA noted that 13 Village checks written during the examination period contained only one signature. An example of such checks is shown below.

WARRANT
VILLAGE OF VALPARAISO
PO BOX 147
VALPARAISO, NE 68068

JonesBank

021480
12/6/2020

Miller & Assoc Consulting Engineers, PC

\$ 5,274.40

Five Thousand Two Hundred Seventy-Four and 40/100

Miller & Assoc Consulting Engineers, PC
PO Box 308
Kearney, NE 68348-0308

James N. Regan

#21480 01/27/2021 \$5,274.40

State statute requires Village checks to be signed by both the Board Chairperson and the Village Clerk. Specifically, Neb. Rev. Stat. § 17-711 (Cum. Supp. 2020) provides the following:

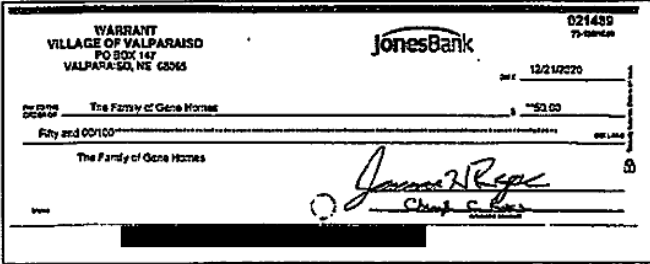
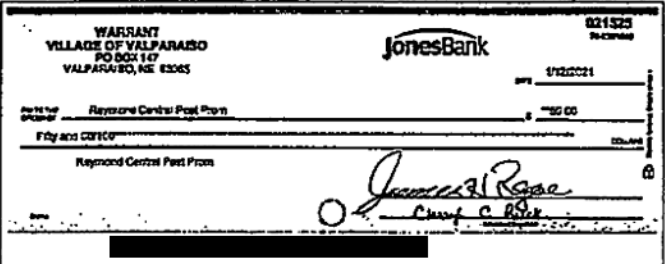
All warrants drawn upon the city treasurer of a city of the second class or village treasurer must be signed by the mayor or chairperson of the village board of trustees and countersigned by the city clerk or village clerk, stating the particular fund to which the same is chargeable, the person to whom payable, and for what particular object. No money shall be otherwise paid than upon such warrants so drawn. Each warrant shall specify the amount included in the adopted budget statement for such fund upon which it is drawn and the amount already expended of such fund.

Good internal control and sound accounting practices require procedures to ensure that Village checks contain the statutorily required endorsements. Without such procedures, there is an increased risk of not only failure to comply with State statute but also the loss and/or misuse of Village funds.

We recommend the Board implement procedures to require dual signatures, from the Board Chairperson and the Village Clerk, on all Village checks, as required by law.

2. Potentially Disallowed Purchases

During our review of the bank statements accompanying the Village's audit waiver request, the APA noted that the Village made two questionable payments: one for \$50 to The Family of Gene Homes, and the other for \$50 to the Raymond Central Post Prom, as shown below. Per the Village, the payment to the Family of Gene Homes was for a memorial, and the payment to the Raymond Central Post Prom was a donation.

	
#21489 01/04/2021 \$50.00	#21525 02/18/2021 \$50.00

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2012) et seq., specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to Villages, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Cum. Supp. 2020).

Neb. Rev. Stat. § 13-2203 (Cum. Supp. 2020) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Memorials and donation payments are not found among that select statutory list of permissible expenditures. As a result, such disbursements must be considered disallowed by law.

Good internal control requires procedures to ensure compliance with the provisions of the Act.

Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements but also loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all Village purchases are allowable under State statute, including the provisions of the Act.

3. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified the following checks, totaling \$5,342.39, which were paid but not included on the claims listing to be approved by the Board.

Details of the unapproved payments are included in the table below:

Name/Vendor	Check Date	Check #	Amount
Intuit	1/19/21	ACH	\$ 685.75
NE Workforce Dev Tax	1/20/21	ACH	\$ 18.40
USPS	2/1/21	ACH	\$ 180.00
Menards	2/3/21	POS	\$ 8.49
Staples	2/3/21	POS	\$ 104.91
Salvage Warehouse	2/3/21	POS	\$ 200.00
IRS	2/5/21	ACH	\$ 2,418.58
Ameritas	2/8/21	ACH	\$ 810.93
NE Dept. of Rev	2/8/21	ACH	\$ 915.33
Total			\$ 5,342.39

Neb. Rev. Stat. § 17-614(1) (Supp. 2021) sets out the proper method for the appropriation or payment of money by the Village, as follows:

All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all members elected to the city council in a city of the second class or village board of trustees.

(Emphasis added.) Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved. Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

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The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the Village’s policies or procedures. Nevertheless, our objective is to use the knowledge gained during the performance of that preliminary planning work to make comments and suggestions that we hope will prove useful to the Village.

This communication is intended solely for the information and use of the Village and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions, please contact **Dakota Christensen at 402-499-8702 or dakota.christensen@nebraska.gov.**

Sincerely,



Mark Avery, CPA
Assistant Deputy Auditor